

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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KANSAS CITY FED SURVEY HIGHLIGHTS CONCERNS AND CHALLENGES FOR COMMUNITY INSTITUTIONS

Meeting regulatory requirements and increasing earnings were among the most significant challenges cited by community banks, credit unions and thrifts, according to the Federal Reserve Bank of Kansas City's 2011 Survey of Community Depository Institutions.

The survey, which has been conducted every three years, asked community institutions in the Tenth Federal Reserve District about a wide range of challenges, the future of their business and competitive issues. More than 300 institutions with assets of less than \$1 billion responded to the survey. All of the institutions are located in the Tenth District, which includes western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming and the northern half of New Mexico. [Full survey results](#) are available on the Kansas City Fed's website.

"This survey provides us with an important snapshot of the issues faced by the many community institutions in our District," said Jim Wilkinson, assistant vice president and economist in the Kansas City Fed's Division of Supervision and Risk Management. "Having a better understanding of these challenges allows us to be a more effective and responsive regulator for those community banks that we supervise."

Among the challenges faced by the institutions, "Meeting Regulatory Requirements" was cited most often, with 79 percent of respondents indicating that this area was a significant challenge. A decade ago, 27 percent of respondents cited this issue as a significant challenge. In addition, 64 percent of institutions cited "Increasing Earnings" as another significant challenge, compared to 49 percent citing this issue in 2008. "Maintaining Noninterest Income" (58 percent) and "Securing Electronic Environment" (46 percent) were also cited as significant challenges in 2011.

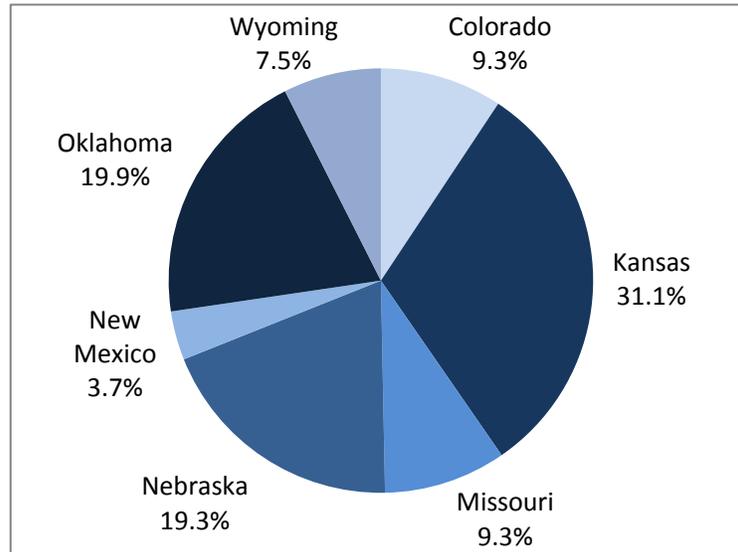
Along with participating in the setting of national monetary policy, the Bank is responsible for supervising and regulating numerous commercial banks and bank holding companies, serving as the bank for the U.S. government and for commercial banks, and providing payments services to depository institutions.

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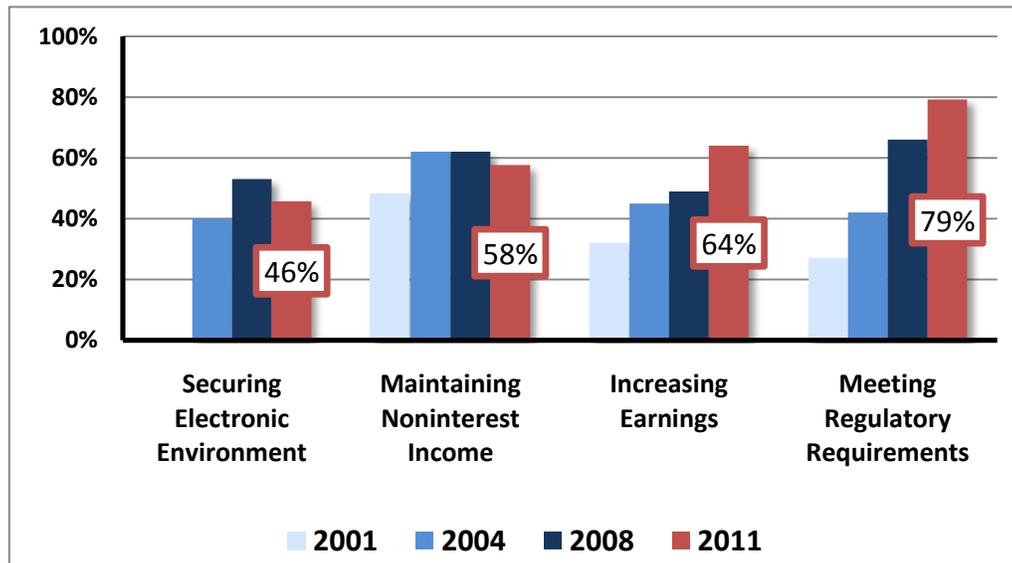
SELECTED RESULTS FROM THE 2011 SURVEY OF COMMUNITY DEPOSITORY INSTITUTIONS

Full results are available at the Kansas City Fed's website.

SURVEY RESPONDENTS



“SIGNIFICANT” CHALLENGES CITED BY COMMUNITY INSTITUTIONS



Note: 2001, 2004 and 2008 only included banks as respondents

Other survey findings:

- Among compliance activities, respondents indicated they spend the most time on satisfying mortgage regulation requirements.
- More than half of respondents (55 percent) expect noninterest income to decline over the next three years, with the decline expected to be driven by lower debit card interchange and debit card fee income.
- An overwhelming number of respondents (87 percent) said it is “probable” they will remain under the same ownership and structure in the next three years.